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ACCELERATED MICROENTERPRISE ADVANCEMENT PROJECT (AMAP) FINANCIAL SERVICES IQC

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Malawi DMS Task Order Works to Strengthen the Policy Environment for Microfinance

Malawi's Ministry of Trade and Industry approached the AMAP Deepening the Microfinance Sector (DMS) task order team to organize a consultative workshop to revisit the government's Microfinance Policy Statement. The workshop brought together key stakeholders to review the existing document, comment on its appropriateness and recommend improvements. Workshop participants decided that the Policy Statement was on the whole appropriate, but recommended it should be updated to incorporate the comments of participants before being presented to the Cabinet.

DMS spurred MFI and donor collaboration to address MARDEF, a government initiative launched by the President to make loans available to more Malawians. Proposed during the 2004 presidential campaign, the fund has grown to US\$40 million. If disbursed, this amount would triple the

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existing volume of microloans outstanding in Malawi. Unfortunately the guidelines for the operation of MARDEF are seriously flawed and the loan process is highly politicized. Local MFIs fear that money loaned will never be repaid, destroying the credit culture they are working to build. To address these concerns, DMS organized regular stakeholder meetings to openly debate the merits and risks of MARDEF. DMS worked through the stakeholders' group, bringing together MFIs and donors to encourage that the fund be set up in accordance with best practices to avoid market distortions. Despite heavy pressure from the GoM, no MFIs elected to participate in the program. However, the government mandated that the Malawi Savings Bank would disburse MARDEF funds. Disbursements are temporarily suspended due to a political scandal, and stakeholders with DMS support continue to express their concern over the program to the government through the Minister of Finance. This has resulted in some success as subsidized interest rates on MARDEF loans have been increased.

DMS is also teaming with the UN to sponsor a National Microfinance Conference to take place on November 28-29, 2005. DMS COP, Victor Luboyeski is leading technical preparations for the conference which is titled "Building an Inclusive Financial Sector in Malawi." More than 100 stakeholders are expected to attend to explore the legal and regulatory framework for microfinance as well as rural and microfinance best practices.

CHEMONICS CONSORTIUM PARTNERS

American Refugee Committee
Refugee and post-conflict microfinance

Bankworld, Inc.
Financial institution regulation and supervision

exchange, L.L.C.
Information technology, training, change management

Enterprising Solutions Global Consulting, L.L.C.
Program assessment and design, enterprise development

The IRIS Center, The University of Maryland
Enabling environment; regulation and supervision

The Marriott School at BYU
Research, impact assessments; client satisfaction

Shorebank Advisory Services
Small business loan product design and bank training

DMS Task Order Strengthens FINCA, PRIDE and MUSCCO in Malawi

Last quarter DMS hosted a very well received training for FINCA's Northern region supervisors which provided tools to enhance branch management, improve reporting, and increase credit officer productivity. One participant commented, "After the training I initiated an appraisal of myself by my staff and it is amazing how this has enhanced teamwork." This quarter, DMS sponsored two employees of the Malawi Union of Savings and Credit Cooperatives to attend a two-week MicroSave School of Applied Microfinance (SAM) training in Mombasa, Kenya.

DMS also recently signed a memorandum of understanding with PRIDE Malawi to conduct a training needs assessment. The DMS team will carry out an institutional assessment to identify additional training needs in the areas of management, board development, and good governance. In addition, DMS will leverage assistance from CGAP to co-finance hardware needed to complete a systems optimization for PRIDE Malawi.

AMAP Knowledge Generation Launches New Knowledge Sharing Initiative

Chemonics' AMAP Financial Services Knowledge Generation researchers have teamed up with DAI and USAID to plan and host a *Happy Hour Seminar Series*. The first seminar, "Expanding Financial Frontiers and Building Inclusive Markets" took place on September 21 and featured Enterprising Solutions' Marc de Sousa-Shields, AMAP Financial Services CTO Barry Lennon and DAI's Robin Bell.

Mr. de Sousa-Shields presented his findings on transitions to private capital and MFI-bank

using examples from research and case studies in the Philippines, Peru and Uganda. Robin Bell introduced an innovative partnership between India's second largest bank, ICICI and MFI CASHPOR. This partnership allows CASHPOR to expand its portfolio beyond its small capital base. Presentations, publications, and photos are available on [microLINKS](http://www.microlinks.org/ev_en.php?ID=8879_201&ID2=DO_TOPIC) at http://www.microlinks.org/ev_en.php?ID=8879_201&ID2=DO_TOPIC.

AMAP Knowledge Generation Hosts Real and Virtual Workshops on Youth, Microenterprise, Conflict and Disaster

In July research director, Geetha Nagarajan organized and facilitated a one-day workshop to obtain feedback on research conducted to date under the Microfinance in Conflict-Affected Areas topic. The workshop also aimed to gather information from other organizations providing microfinance and/or enterprise development services to youth. To document the workshop, Ms. Nagarajan developed a synthesis of key discussion points and responses from an electronic survey.

In September, Ms. Nagarajan organized and facilitated a three-day virtual conference at microLINKS' Speaker's Corner on the role of microfinance in managing natural disasters. Among the themes discussed were: the benefits of non-credit financial products (such as insurance and savings to assist in reconstruction, microgrants versus microloans, appropriate roles for MFIs post-disaster), and management of portfolio quality during the immediate post-disaster period and six months to one year later. Transcripts and a summary of the Speaker's Corner are available on microLINKS: http://www.microlinks.org/ev_en.php?ID=5531_201&ID2=DO_TOPIC.

IRIS Drafts Policy and Programming Tool to Enable Access to Finance

This quarter, IRIS completed the draft of a toolkit to assess the legal and regulatory environment for microfinance. This practical country self-assessment tool aims to inform government thinking about key governance issues in microfinance, determine an enabling environment for microfinance growth, and identify areas for policy improvement and enhancement.

The newly re-named *Legal and Regulatory Frameworks for Access to Finance: a Policy and Programming Tool* was discussed in two workshops. At the second workshop in September, participants made recommendations on how to make the tool more “user-friendly” and incorporate information on available resources and internal USAID processes.

Presentation of this toolkit to USAID Mission staff during the upcoming EGAT training in December was also discussed. In preparation for this possibility, IRIS is working on incorporating feedback from September’s workshop, and finalizing the toolkit, as well as developing a draft Terms of Reference for use with the toolkit and a training module to guide Mission and stakeholder representatives through the tool.

Additionally this quarter, IRIS developed an information page on microLINKS that will serve as a reference library for legal and regulatory environments and issues for microfinance practitioners.

Chemonics AMAP IQC Team Attends First “AMAP in the A.M.” Meeting

This quarter, members of Chemonics’ AMAP IQC and KG management teams attended the first “AMAP in A.M.” meeting hosted by QED. This series aims to identify and develop effective dissemination strategies and find learning opportunities for wider community of practitioners.

Chemonics Consortium Awarded Task Order to Support of USAID/Haiti DCA Program

On September 28, 2005 the Chemonics Consortium received notice of award of a task order under the AMAP Financial Services IQC to provide technical assistance to support USAID/Haiti’s Development Credit Authority (DCA) program. USAID/Haiti recently approved a DCA Loan Portfolio Guarantee facility with local banks, SOFHIDES and SOGEBANK. This facility aims to increase medium-term lending in productive sectors to micro, small and medium enterprises in Haiti.

The project will support the DCA facility by providing direct training and technical assistance to SOGEBANK and SOFHIDES to strengthen their credit risk management systems and ensure that they can effectively and profitably serve these new, non-traditional bank clients.

The Chemonics Consortium and representatives from the USAID/Haiti Mission are currently discussing the appropriate timing to begin activities. While support activities were scheduled to begin this quarter, the current security situation in Haiti may prevent the Mission from beginning activities until the first quarter of 2006.

Publications

This quarter, several deliverables were finalized and approved by USAID and are available on microLINKS or in the process of being posted to the website.

- *MFI Financing Strategies and the Transition to Private Capital;*
- *Serving Youth with Microfinance: Perspectives of MFIs and YSOs;* and
- *Moldova: Innovations in Agricultural Lending.*

Activities and Accomplishments during the Reporting Period

Table 1. Task Orders Submitted

Title	USAID Mission	Estimated Task Order Amount	Date Submitted	Status of Task Order Award
Technical Assistance in Support of the Haiti Development Credit Authority (DCA) Program	USAID/Haiti	\$527,859	05/17/2005; Comp Range Responses 6/24/05; 09/07/05	Awarded 09/20/05; signature pending

Table 2. Task Orders Awarded

Title	USAID Mission	Task Order Amount	Date Awarded	Expected Start Date	Expected End Date
Technical Assistance in Support of the Haiti Development Credit Authority (DCA) Program	USAID/Haiti	\$527,859	09/20/05 (Signature pending)	November 2005	November 2007

Table 3. Task Orders Completed

Title	USAID Mission	Task Order Amount	Date Awarded	Start Date	End Date
No task orders were completed during this quarter.					

AMAP/Microfinance IQC Financial Summary

Table 4. Task Order Spending

Task Order	Year 1 2002– 2003	Year 2 2003– 2004	Year 3 Oct-Dec 2004	Year 3 Jan-Mar 2005	Year 3 Apr-June 2005	Year 3 Apr-June 2005	TOTAL
Task Order 804: Deepening the Microfinance Sector in Malawi		\$12,280	\$87,004	\$172,145	\$187,827	\$178,067	\$637,323
Task Order 803: Assessment of Village Savings and Loan Associations in Guinea		\$0	\$134,377	\$0	(\$73)	\$0	\$134,304
Task Order 801: Malawi Microfinance Sector Assessment		\$64,762	\$0	\$0	\$0	\$0	\$64,762
Task Order 800: Bolivia RFS Evaluation	\$45,565	\$0	\$0	\$0	\$0	\$0	\$45,565
Task Order 01 – Knowledge Generation		\$361,657	\$172,501	\$144,297	\$366,466	\$182,445	\$1,227,366
Total	\$45,565	\$438,699	\$393,882	\$316,442	\$554,220	\$554,220	\$2,109,320

This publication was produced for review by the United States Agency for International Development. It was prepared by Chemonics International Inc. in conjunction with AMAP consortium members American Refugee Committee, Bankworld, echange, Enterprising Solutions, IRIS and Shorebank Advisory Services.

The author's views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government.

For more information on the Accelerated Microenterprise Advancement Project Financial Services Component, please visit <http://www.microlinks.org> or contact Barry Lennon, Cognizant Technical Officer at blennon@usaid.gov or at (202) 712-1598.